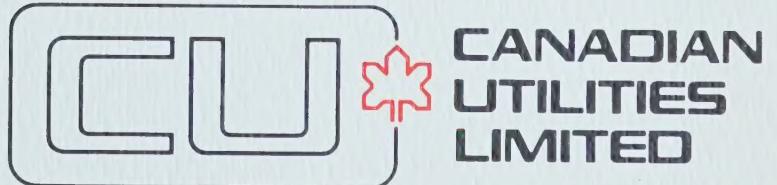
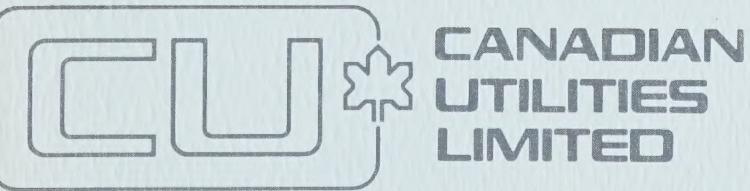


**ANNUAL
REPORT
1972**



**CANADIAN UTILITIES
LIMITED**

and subsidiary companies

Alberta Power Limited
and subsidiaries

Canadian Western Natural Gas
Company Limited

Northwestern Utilities Limited
and subsidiary

Registered Office: 10040 - 104 Street,
Edmonton, Alberta, Canada

Transfer Agent and Registrar

Common Shares and Preferred Shares:
Montreal Trust Company:

Edmonton, Alberta - Calgary, Alberta.
Winnipeg, Manitoba - Toronto, Ontario.
Montreal, Quebec - Vancouver, British
Columbia - Regina, Saskatchewan

Stock Exchange Listings

Common Shares:

Toronto and Montreal Stock Exchanges

Preferred Shares:

\$1.25 Second Preferred

Toronto and Montreal Stock Exchanges

5% Preferred

4 1/4% Series Preferred

6% Series Preferred

Toronto Stock Exchange

Valuation Day value of common shares:

\$37.25 (pre-split)

Note: On Sept. 15, 1972, the common shares
were subdivided on a four for one basis.

Auditors

Peat, Marwick, Mitchell & Co.
2500 Alberta Telephone Tower
10020 - 100th Street,
Edmonton, Alberta.

Annual Meeting

The annual meeting of shareholders
will be held in Edmonton on
April 27, 1973. Notice of meeting
and proxy information will be mailed
to shareholders in due course.



Illustrations in this report are original drawings
by well-known Edmonton artist, Meredith Evans. He visited
various areas in the company's systems and produced
these pen and ink drawings, with an oil wash.
Typical of his technique is this Alberta scene.



BOARD OF DIRECTORS

G. L. Crawford, Q.C., Calgary
Barrister and Solicitor

E. W. King, Edmonton
President and Chief Executive
Officer, Canadian Utilities Limited

F. T. Jenner*, Edmonton
Corporate Director

K. L. MacFadyen, Calgary
Senior Vice-President - Finance
Canadian Utilities Limited

J. E. Maybin, Philadelphia, Pa.
Chairman of the Board
Canadian Utilities Limited
Group Vice-President - Utilities
International Utilities Corporation

D. R. B. McArthur*, Edmonton
President, Inland Cement
Industries Limited

W. S. McGregor*, Edmonton
President, Nu-Mac Oil & Gas Ltd.

J. M. Seabrook, Salem
New Jersey
Chairman and President
International Utilities Corporation

M. E. Stewart, Honolulu, Hawaii
President, C. Brewer & Co. Ltd.

D. K. Yorath, Edmonton
Chairman of the Executive
Committee and Vice-President
International Utilities Corporation

*Member of audit committee

HONORARY DIRECTORS

H. R. Moore, Q.C., Edmonton
Honorary Chairman of the Board
Canadian Utilities Limited

E. G. Ringrose, Calgary
President, Macmillan-Fairclough
Lumber Company Limited

OFFICERS

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E. W. King, President and
Chief Executive Officer

R. N. Dalby, Vice-President

K. L. MacFadyen, Senior
Vice-President - Finance

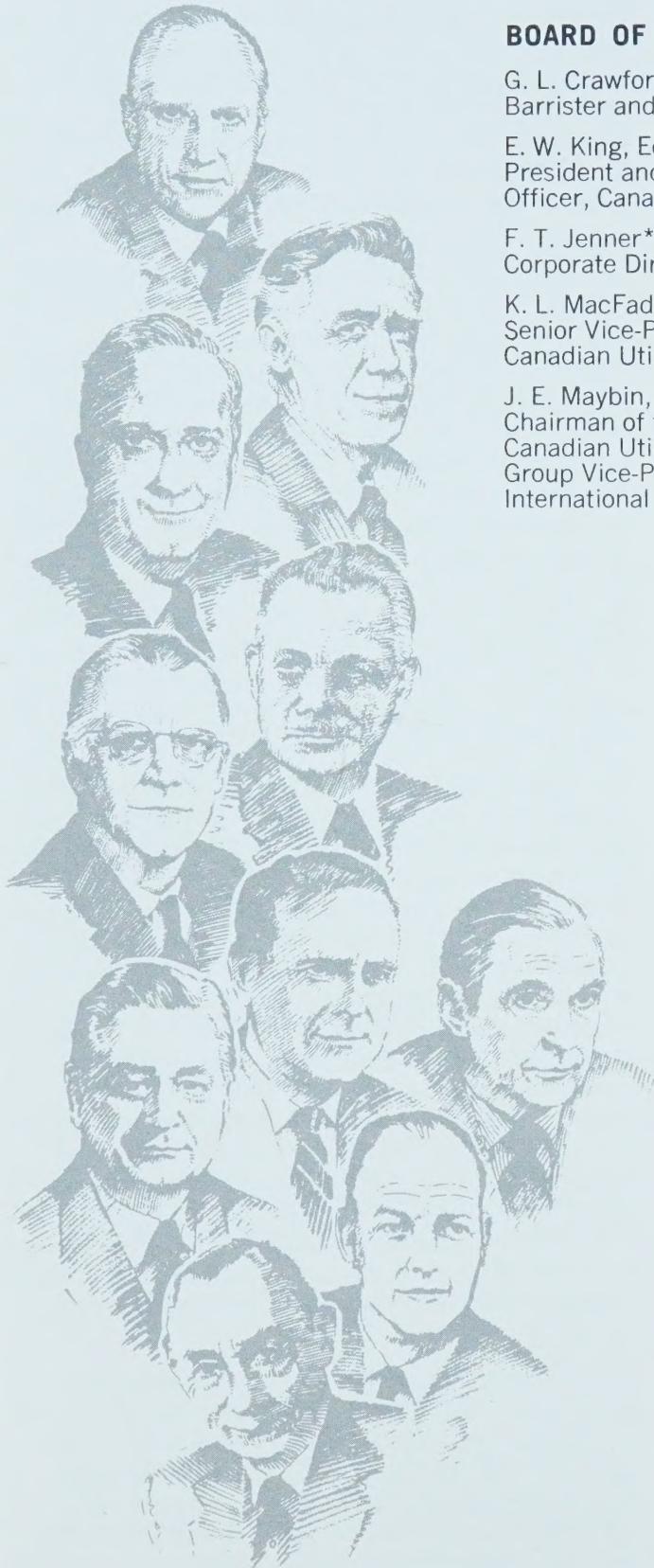
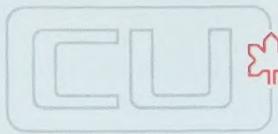
E. G. Ringrose, Vice-President -
Administration

A. M. Anderson, Controller

W. A. Sullivan, Secretary

H. N. Bottomley, Treasurer

H. Brown, Assistant Secretary and
Assistant Treasurer



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Honorary Chairman of the Board
Canadian Utilities Limited

F. C. Manning, Calgary
President, Manning Egleston
Lumber Company Limited

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Vice-President - Finance

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Administration

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H. N. Bottomley, Treasurer

H. Brown, Assistant Secretary and
Assistant Treasurer

CANADIAN UTILITIES LIMITED

REPORT TO THE SHAREHOLDERS:

Consolidated earnings and revenues of Canadian Utilities Limited reached record levels in 1972.

Net income per common share was \$1.22, 16% above \$1.05 per share in 1971. The net income before provision for dividends on preferred shares was \$15,042,000, up from \$13,078,000 the previous year, and 1972 revenue reached a new high of \$112,324,000 compared with \$100,523,000 in 1971.

In August the quarterly dividend was increased to 13½ cents per common share from its previous level of 12½ cents, restated to reflect the subdivision of the company's common shares on a four for one basis in September, 1972.

The revenue increase not only reflected the continuing economic growth in the company's service areas, but gas sales were also favourably affected by colder than normal temperatures by an estimated \$2.6 million.

The higher cost of purchased gas, wages, property taxes, and materials, all exerted substantial inflationary pressure on operating expense, which increased more than 14%.

Net assets at the end of 1972 amounted to \$363 million. Gross additions during the year totalled \$42 million, of which \$24.7 million was expended on electric plant and \$17.4 million on gas facilities. Approximately half the expenditure on electric plant was for the provision of additional generating capacity including \$11.4 million at the H. R. Milner Generating Station, which was essentially completed during the year and is now supplying power into the provincial grid. The provision of pollution control equipment, particularly on thermal generating stations, is becoming an increasingly significant capital requirement.

Capital expenditures during the next five years are expected to be \$212 million, of which \$42 million is planned for 1973. Of these amounts the electric operations are expected to require \$148 million for the five-year period and \$25 million in 1973.

New financing during the year totalled \$47.4 million. This included \$30 million 8½% debentures issued in March, the issue of \$4.4 million \$1.25 cumulative redeemable convertible second preferred shares at par in exchange

for 219,620 minority-held ordinary shares of Canadian Western Natural Gas Company Limited, and the issue of \$13 million in short term commercial paper.

The continuing high cost of new capital is a matter of concern, and if it remains at existing levels, this cost, coupled with the increase in operating expense previously referred to, inevitably will require upward adjustment of the allowed rate of return and of consumer rates in the operating companies.

The 1971 annual report described the restructuring of the company in which Canadian Utilities Limited became a holding company and the parent of Alberta Power Limited, Canadian Western Natural Gas Company Limited, Northwestern Utilities Limited and Northland Utilities Limited. This reorganization was completed during 1972 by the acquisition of the outstanding minority ordinary shares of Canadian Western Natural Gas Company Limited in May, and the voluntary liquidation of Northland Utilities Limited in August. Northland's gas properties were acquired by Northwestern Utilities Limited and its electric properties by Alberta Power Limited. This final step is expected to improve operating and organizational efficiency, and simplify regulatory proceedings.

The Alberta government in 1972 placed strong emphasis on the necessity to increase natural gas field prices to their fair value. While this has temporarily created uncertainties with respect to the cost of gas purchases by the company, it is expected that the problem will be resolved in 1973. The government has announced it is presently designing the details of a proposed rebate system for Alberta natural gas consumers, with the objectives of sheltering residents, commercial establishments and industry from the effects of significant gas price increases caused by the increasing value of Alberta gas in markets outside of Alberta. The government has stated that such a system would be designed to protect Alberta consumers from the effects of gas price increases beyond those which would normally be expected due to rising costs and inflation.

Also during 1972 the provincial government announced its intention to promote the expansion of natural gas distribution systems in the rural areas of Alberta. The effect of this on the rural gas distribution program of the company will be determined when the government completes its plans with respect to this policy.

Early in 1972 the power utilities in Alberta formalized their energy planning relationship, which had existed informally for many years, by the creation of the Electric Utility Planning Council. The council's membership is comprised of all investor and municipally-owned systems in the province, and includes representation from the provincial government. Its purpose is to provide co-ordinated planning for future electrical needs in Alberta to ensure that the past excellent record of service reliability is maintained at the most economical cost. The company has taken a leadership role in the council by providing its first steering committee chairman.

The gross provincial product in Alberta, the company's main service territory, advanced an estimated 11% in 1972 over 1971. Significant individual industry gains were in oil, gas, and coal production, up 21%, 17%, and 15% respectively. Farm cash receipts advanced 15% and lumber production registered a gain of 10%. Activity northward, as indicated by the tonnage forwarded through the port of Hay River, N.W.T., was 120 thousand tons in 1971, 247 thousand tons in 1972 and is projected to be 347 thousand tons for 1973.

Major growth is anticipated through further development of the Athabasca tar sands, where an estimated 600 billion barrels of bitumen constitute one of the largest known oil deposits located in the Western world. The Syncrude tar sand development is expected to move forward in 1973. Implementation of plans to construct

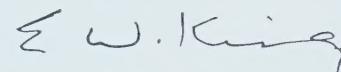
multi-billion dollar pipelines to tap the Arctic's oil and gas resources can have a substantial economic impact on Alberta, which is strategically located as the major supply centre for northern exploration and future pipeline construction.

Energy deficiencies which are becoming apparent elsewhere on this continent demonstrate the enviable position Alberta occupies at this time as an energy-rich area. The company is favourably situated to participate in energy-based growth which the future holds for this province.

The company continued to have excellent personnel relations during the year. New agreements were negotiated with the employees associations for the gas operations, effective for 1973 and 1974. The company's two year agreement with the employees association for electric operations does not expire until the end of 1973.

The dedication with which the company's employees continue to serve the public's need for energy service continues to be a matter of pride, which we are pleased to acknowledge.

ON BEHALF OF THE BOARD OF DIRECTORS



E. W. King
President and Chief Executive Officer

February 15, 1973.

BOARD OF DIRECTOR CHANGES

At the annual meeting, in April, 1972, the following board changes occurred:

New directors elected to the board were Mr. G. L. Crawford, Q.C., Calgary, partner in the law firm of Arnold and Crawford and president of the Calgary Exhibition and Stampede; Mr. F. T. Jenner, Edmonton, prominent Edmonton businessman and chairman of the Board of Governors, University of Alberta; and Mr. W. S. McGregor, Edmonton, president and managing director of Numac Oil and Gas Ltd.

Mr. F. C. Manning, Calgary, reached retirement age and was appointed an honorary director.

Mr. A. F. Shortell, Lloydminster, Alberta, retired and subsequently was elected to the board of Alberta Power Limited. Mr. L. F. Snyder, Calgary, reached retirement age and was appointed an honorary director, Alberta Power. Dr. G. L. Cooke, Lloydminster, and Mr. G. E. Kelly, Edmonton, formerly honorary directors were appointed honorary directors, Alberta Power. During their service on the board of the company these men made significant and lasting contributions to the company and its shareholders.

We regret to record that subsequent to his appointment as an honorary director of Alberta Power, Mr. Kelly passed away on April 30, 1972. Mr. Kelly served the company as a loyal employee for 30 years and as a director for over 20 years, contributing greatly to the company's development particularly in its early stages.

MANAGEMENT CHANGES

In order to meet the evolving needs of the company several management changes occurred in February, 1973.

Mr. R. N. Dalby was appointed Executive Vice-President, Canadian Utilities Limited.

Mr. K. L. MacFadyen was named Senior Vice-President of the company with responsibility for all regulatory matters.

Mr. K. A. Biggs was appointed Senior Vice-President—Finance. Mr. Biggs joined the organization in July, 1972, and prior to this new appointment was Senior Vice-President, Alberta Power.

Mr. D. R. Brandt was named Vice-President, with responsibility for corporate development. He joined the company in April, 1972, and was formerly president of Trans-Prairie Pipelines Ltd. and Columbia Natural Gas Limited.

REPORT ON OPERATIONS

ELECTRIC SERVICE

SUMMARY

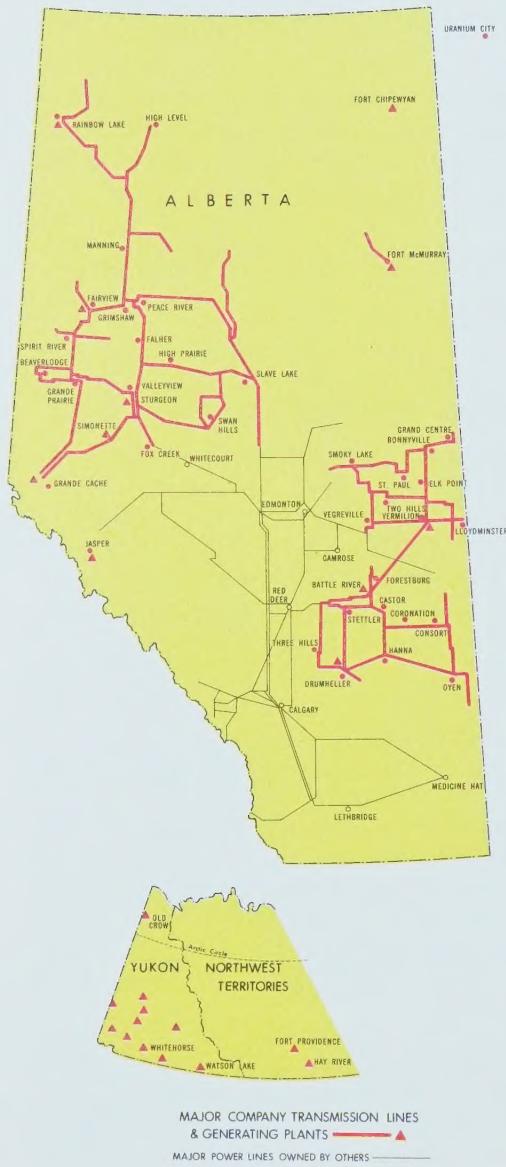
The company provides electric service through Alberta Power Limited and its subsidiary companies to east-central and northern Alberta, Lloydminster and Uranium City in Saskatchewan and communities in the Yukon and Northwest Territories. Substantial growth in this service was again experienced.

The number of electric consumers reached 80,492 at the end of 1972, an increase of 3,246 in the year. Electric service is now being provided to 365 communities.

Energy sold totalled 1,520,031 thousands of kilowatt hours, or 19 per cent above the record attained in 1971.

Total kilowatt hour sales have almost doubled in the past four years. This represents an annual growth rate of 18 per cent compared to the national average during the same period of approximately 7 per cent. Sales to industrial customers recorded the greatest gain, increasing nearly three-fold.

The following table illustrates this growth in the period 1968 to 1972 and the changing nature of the component classes of customers contributing to these sales:



	1972		1968	
	Per cent of total sales	Thousands of kilowatt hours	Per cent of total sales	Thousands of kilowatt hours
Residential	18%	268,462	23%	174,454
Commercial	19	289,626	26	197,945
Industrial	51	779,280	34	263,132
REA and other	12	182,663	17	133,970
	100%	1,520,031	100%	769,501

It is significant to note that industrial sales now account for 51 per cent of total sales compared to 34 per cent in 1968. The increase in high load factor industrial load has had the effect of dramatically increasing the utilization of generating capacity, with the result that the system load factor has moved from 48 per cent in 1968 to 59 per cent in 1972.

To keep pace with this growth the company's generating capacity will be increased to 520,000 kilowatts with the addition of the H. R. Milner 150,000 kilowatt generating plant at Grande Cache, Alberta.

Revenue from sales of electric energy in 1972 was \$33,578,000, an increase of \$3,181,000 or 10% over the prior year.

Market Growth

The oil and gas industry, the major segment of the company's industrial sales, produced electric revenues of \$8,020,000 during the year, an increase of 23 per cent over 1971.

Major electric load increases during the year include the installation of 16,000 horsepower at two gas processing plants in the Rainbow Lake area and a 6,500 horsepower installation to serve the Freeman Lake water injection plant at Swan Hills. Pipeline pumping was responsible for the remainder of the significant load increases in service to this industry.

Construction of the \$80,000,000 Procter and Gamble 750-ton-per-day pulp mill near Grande Prairie has stimulated the economy of this region. Building permits issued in Grande Prairie were a record \$15,700,000 in 1972 as compared to \$8,000,000 in 1971. This included \$5,000,000 for construction of the Grande Prairie College. The company provided service to an additional 600 customers in the city of Grande Prairie during the year.

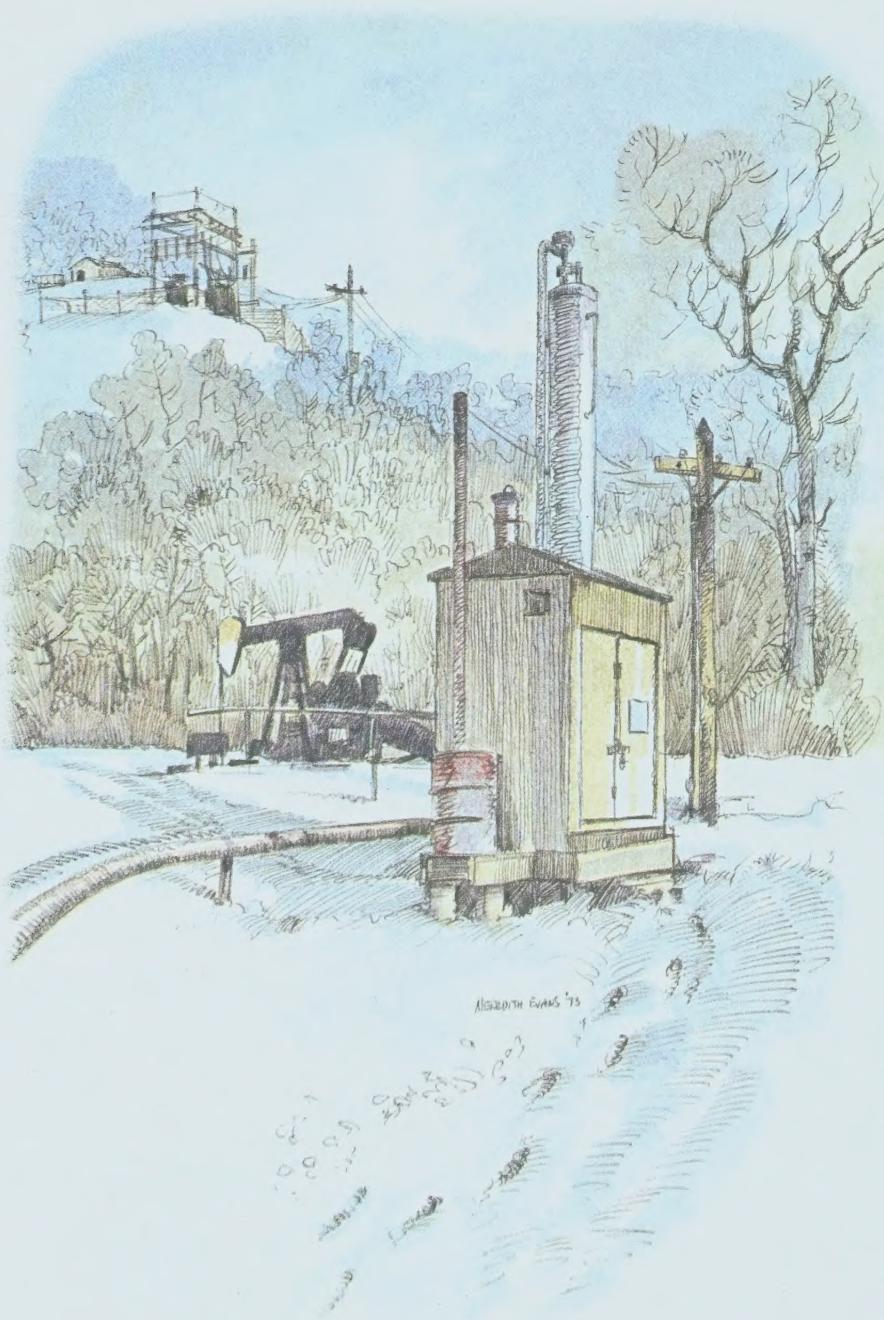
Fort McMurray experienced continued rapid growth, as evidenced by construction of over 200 new homes, 100 apartment units and a major hotel extension. Sales of electric energy to the community increased by 20 per cent during the year.

In the town of Slave Lake, situated on Lesser Slave Lake in northern Alberta, development of the timber resources in the area has stimulated industrial growth in the community including the manufacture of portable construction camps for the Arctic. The number of customers served increased 21 per cent over 1971.

A continuation of this rapid growth of the Fort McMurray area is anticipated through further development of the Athabasca tar sands. Syncrude Canada Limited (referred to in the Directors' letter)



*Newest power plant
built by the company, the
H.R. Milner station at Grande Cache.*



has indicated that by August 1973 a final decision will be announced on a major tar sands facility with a capacity of 125,000 barrels per day of synthetic crude. During

1972, the Alberta Energy Resources Conservation Board held hearings to forecast the total energy requirements of the province for the next 30 years.

Briefs that were submitted indicated that as many as 20 bitumen recovery plants similar to the Syncrude project could well be constructed in response to the rapidly increasing North American demand for oil.

With more than 90 per cent of the occupied farms in the company's operating territory supplied with electric service, growth in rural service is less dramatic. However, an additional 304 farm customers were connected in 1972, approximately the same as in the preceding year.

The Yukon operation recorded a 6 per cent increase in number of customers. In Whitehorse building projects underway include a new hotel, several hotel additions and a major new shopping centre. New homes numbered 111 in the year compared to 38 in 1971. The settlement of Tagish became the seventeenth to be added to the Yukon electrical system. It is supplied by the transmission line connecting Carcross to Whitehorse.

New Construction

The company's 1972 electric division construction program totalled \$24,719,000, approximately half of which was devoted to expenditures on new generating facilities.

The major construction activity centered on the completion of the H. R. Milner 150,000 kilowatt unit near Grande Cache. Expenditures on this plant in 1972 were \$11,365,000. The plant is equipped with a circulating water system, cooling towers and electrostatic precipitators and 300-foot high smoke stack and as a result is relatively pollution free.

Construction also started on Unit No. 4 at the Battle River station. This 150,000 kilowatt unit is scheduled for operation in 1975. Major equipment orders were placed and expenditures of

\$920,000 were made in 1972 on this addition. The Battle River station will have a total generating capacity of 362,000 kilowatts upon completion of Unit No. 4.

A total of \$10,325,000 will be invested by 1975 at the Battle River location for environmental control equipment to ensure maintenance of clean air conditions. Extensive biological and air emission studies have been carried out in the Battle River area and environmental effects of the plant are monitored on a continuing basis.

The Electric Utility Planning Council (referred to in the Directors' letter) has selected five locations in Alberta for further study as possible generating sites. Development of one of these on a large scale will be required to meet the energy demand in 1978. Two of the site studies are being conducted by Alberta Power to determine the feasibility of a further addition to the Battle River station or a new coal-fired plant at Sheerness in east-central Alberta.



*Battle River valley,
with company's
power plant in the distance.*

The major transmission project in 1972 was completion of a 90-mile 144,000 volt line from Grande Cache to Grande Prairie at a total cost of \$2,986,000. The line

was placed in operation in November.

To meet the steadily growing electrical load in the Swan Hills oilfield, construction commenced on a 144,000 volt line from Barrhead to Swan Hills, a distance of 60 miles.

Preliminary work was undertaken in preparation for a multi-million dollar transmission line from the Alberta grid to the Fort McMurray area, a distance of approximately 200 miles. This line will enable the company to meet the growing demand for electrical energy anticipated as a result of the tar sands development.

Total expenditures in 1972 on transmission and distribution facilities amounted to \$10,609,000.

Capital expenditures for 1973 are forecast at \$24,782,000. The outlays for expanded power generating facilities will amount to \$11,645,000, and approximately \$11,671,000 will be expended on major transmission lines and distribution services.



GAS SERVICE

SUMMARY

Natural gas service is provided throughout the province of Alberta and to Dawson Creek, B.C. by the company's subsidiaries Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited. The two companies are fully integrated operations involving production, transmission and distribution of natural gas for residential, commercial and industrial consumers. A total of 251 communities are served including the cities of Edmonton, Calgary, Lethbridge, Red Deer, Wetaskiwin, Camrose and Grande Prairie.

Sale of natural gas increased in 1972 by 11% to 233 billion cubic feet with sales by class of customer being:

	Billions of cubic feet	Per cent of total
Residential	64	27
Commercial	67	29
Industrial	102	44
	<u>233</u>	<u>100</u>

Service was extended to a record 14,513 new customers to bring the total customers served by year-end to 317,766. This includes 900 new rural services installed in 1972, making a total of over 10,500 rural and irrigation customers now being served by the company.

The Northwestern Utilities system established a peak day record of 666 million cubic feet on Jan. 26, 1972 when the atmospheric temperature averaged 33.2 degrees below zero. The peak day sendout record established by the Canadian Western system on Dec. 15, 1971 of 447 million cubic feet was not exceeded.

Revenue from natural gas sales amounted to \$78,746,000, an increase of \$8,620,000 or 12 per cent over 1971.



MAJOR COMPANY PIPELINES
MAJOR PIPELINES OWNED BY OTHERS

Market Growth

Economically the company's service area is one of the fastest growing in Canada. The search for new energy reserves within Alberta and in northern Canada will continue to contribute to this growth.

The principal markets for natural gas service are the two major cities of Edmonton and Calgary. Building permits within these two cities exceeded \$420,000,000 in 1972.

The \$50,000,000 Edmonton Centre Complex is one of the many major new developments and on completion in 1976 will be the largest commercial building in Alberta. The \$26,000,000 Calgary Convention Centre combining a convention hall and dining facilities for 2,800 people and a 400 room



Calgary Control Station

hotel will be an important addition to convention and tourist accommodation in that city.

On Edmonton's eastern outskirts Imperial Oil began construction in 1972 of a \$110,000,000 expansion at its refinery. This 140,000 barrel per day plant, scheduled for completion in late 1973, will serve as the heart of Imperial's petroleum supply system serving the prairies. The Steel Company of Canada has underway a \$19,000,000 expansion program which will double the company's Edmonton plant capacity, providing a production capability of 300,000 tons of steel annually.

In the Calgary area Canada Cement Lafarge Ltd. is undertaking a \$30,000,000 modernization and expansion program which will increase annual cement production capability by 40 per cent to 750,000 tons. Other companies that have announced major expansion plans in the Calgary area are Canada Malting Co. Ltd., Atco Industries Ltd., Firestone Tire and Rubber Co. of Canada Ltd. and Canadian Pacific Railway. Natural gas service will be provided to these industries by the company.

A recent announcement of the construction of a \$12,000,000 major shopping complex at Lethbridge promises continued growth in that city.

Other communities that showed gains in gas sales and other growth indicators were Red Deer, Peace River and Grande Prairie, the latter near the site of a new pulp mill being built by The Procter & Gamble Company of Canada Limited. The company will provide natural gas service to this mill.

New Construction

Capital expenditures by the gas utilities in 1972 were \$17,433,000.

Production and transmission additions totalled \$8,330,000. Approximately \$3,300,000 was spent in the Carbon field for wells and field facilities and for the purchase and installation of a



4,500 horsepower compressor. These facilities will provide storage and peaking capacity for Trans-Canada PipeLines Limited under a long term contract with that company. The second stage of this project, which will require additional wells and field facilities, will be completed in 1973. A second major project was the construction of a 29-mile gas transmission line costing \$1,076,000 from the Gold Creek gas processing plant to Grande Prairie. This line will serve the Procter & Gamble pulp mill, and as well provide a second source of supply for the city of Grande Prairie.

Distribution expenditures of \$7,885,000 were made to serve the record number of new customers connected to the company's system. Additions to service facilities and equipment were \$1,218,000.

Capital expenditures for 1973 are forecast at \$17,000,000. Production and transmission facilities amounting to \$8,600,000 include completion of the Carbon field storage project. Extension to distribution systems and the installation of new services will cost an estimated \$6,200,000 and additions to service facilities and equipment are projected at approximately \$2,000,000.

Gas Supply

Purchased gas cost of \$30,121,000 was the company's largest single direct operating cost, amounting to 34 per cent of total operating expense.

The company's geological staff estimates that at the end of 1972 the company had available to it from fields from which it produces

or purchases natural gas 5,078 billion cubic feet of reserves at 1,000 Btu's per cubic foot. These reserves are exclusive of any amounts that may be purchased under agreements with export companies.

Despite the uncertainties associated with new long term purchase contracts resulting from the Alberta government's field price policy (referred to in the Directors' letter) several short term purchase arrangements were made during the year. These were made under favourable contractual arrangements with export companies, resulting in a higher than normal proportion of the company's total gas supply being purchased from this source.

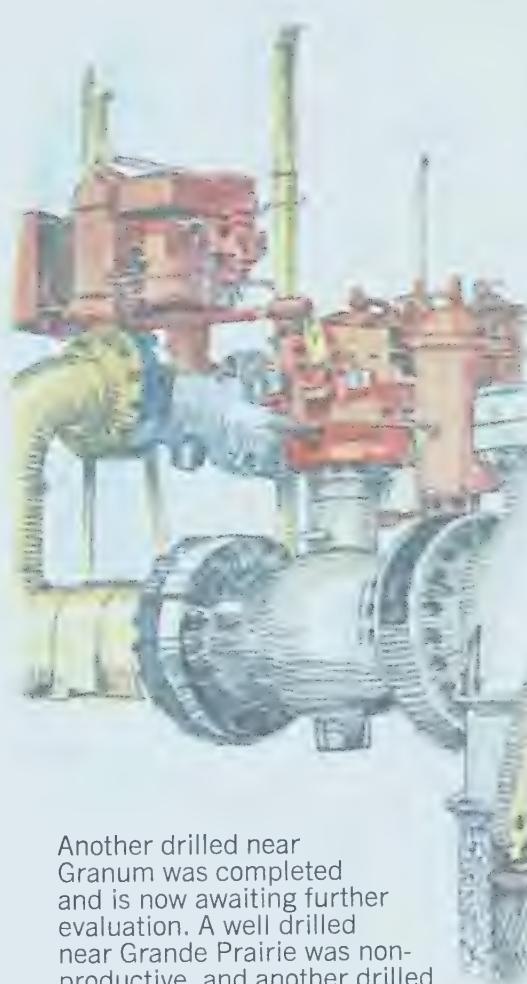
The following table shows the related volumes of gas obtained from the various types of gas supply sources:

Per Cent of Total Supply	
Oilfield and Gas Plants . . .	58
Dry Gas Fields	20
Export Companies	15
Pipeline Companies	7
	100

The Northwestern system supplied 20 per cent of its annual requirements from company owned interests in Viking-Kinsella, Beaverhill Lake, Fort Saskatchewan, Fairydell-Bon Accord and other dry gas fields. Gas from these fields was used primarily to meet the winter season peak demands. On the system's peak day these fields were called upon to supply 41 per cent of Northwestern's total system demand.

The dry gas and storage fields at Bow Island, Carbon and Foremost, largely owned by the company, were called upon to supply 34 per cent of Canadian Western's total system demand, which occurred on Jan. 25, 1972.

Four exploratory wells were drilled by the company during the year. The well drilled at Fairydell-Bon Accord was successful and extended the proven limits of that field.

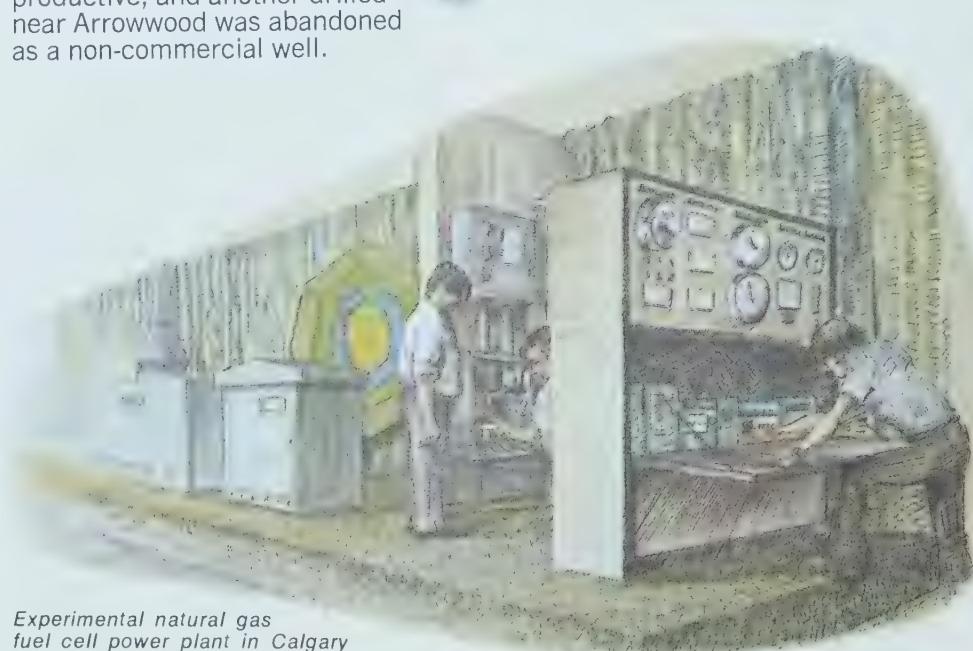


Another drilled near Granum was completed and is now awaiting further evaluation. A well drilled near Grande Prairie was non-productive, and another drilled near Arrowwood was abandoned as a non-commercial well.

Research

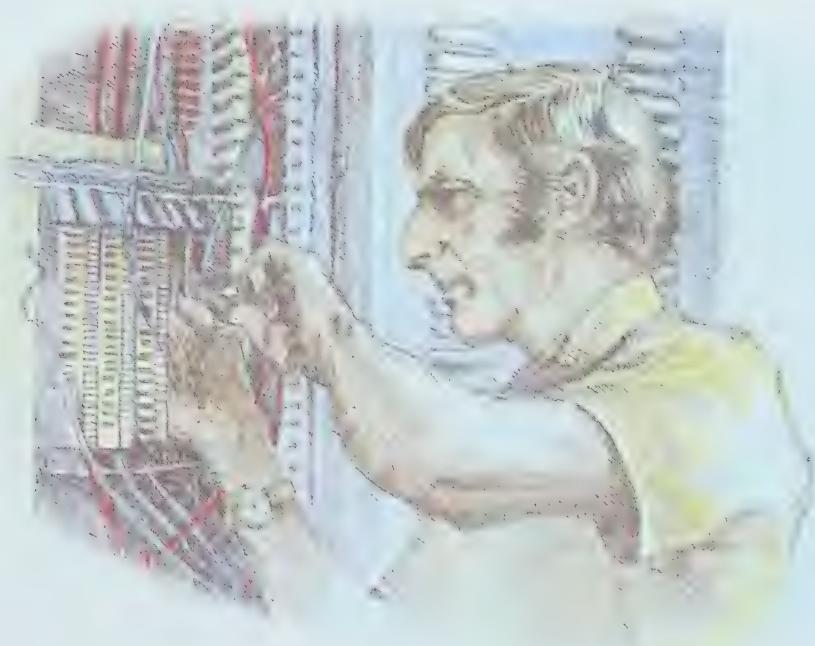
As the first Canadian member of an international industry team engaged in a fuel cell research program, the company successfully installed and operated an experimental natural gas fuel cell power plant which, for several months, provided the electrical requirements of a Calgary show home. Public interest for this space age by-product was exceptional. Continued support of the fuel cell research program is planned in 1973.

Concern for the preservation of the environment and the prospects of additional sales have resulted in continuation of the company's natural gas fuelled vehicle research program. By the end of the year 59 company vehicles were operating on compressed natural gas in Calgary and Lethbridge. In the Edmonton area in 1973 the company will complete a 40-vehicle conversion program. These vehicles are equipped to operate on either natural gas or gasoline and experience to date is entirely satisfactory. Other fleet operators are showing increasing interest in the use of natural gas for fleet operation.



Experimental natural gas fuel cell power plant in Calgary

TEN YEAR
GROWTH SUMMARY
AND
1972
FINANCIAL
STATEMENTS



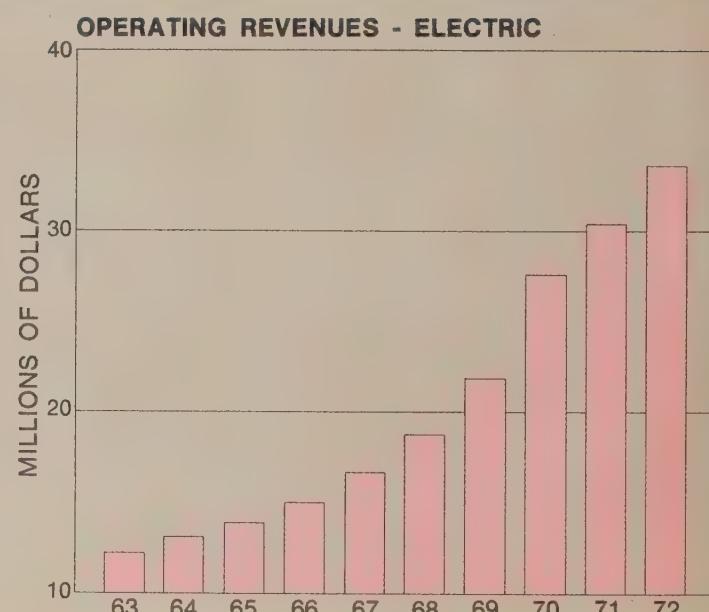
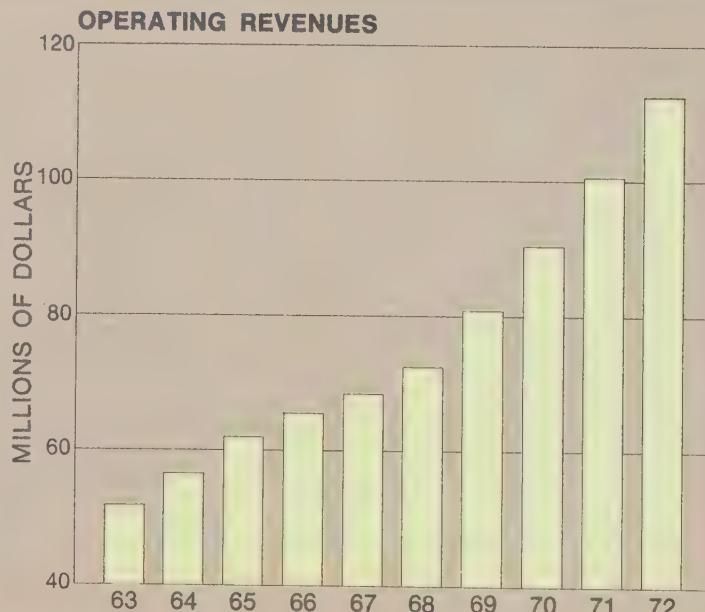


TEN YEAR GROWTH SUMMARY

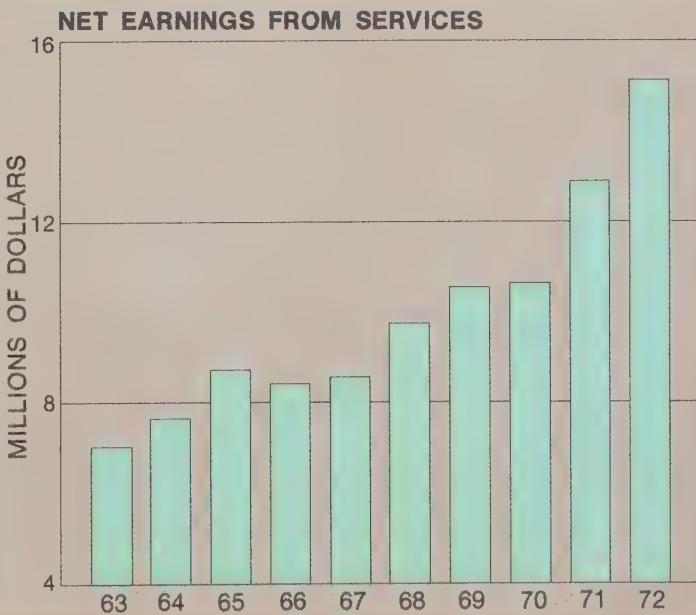
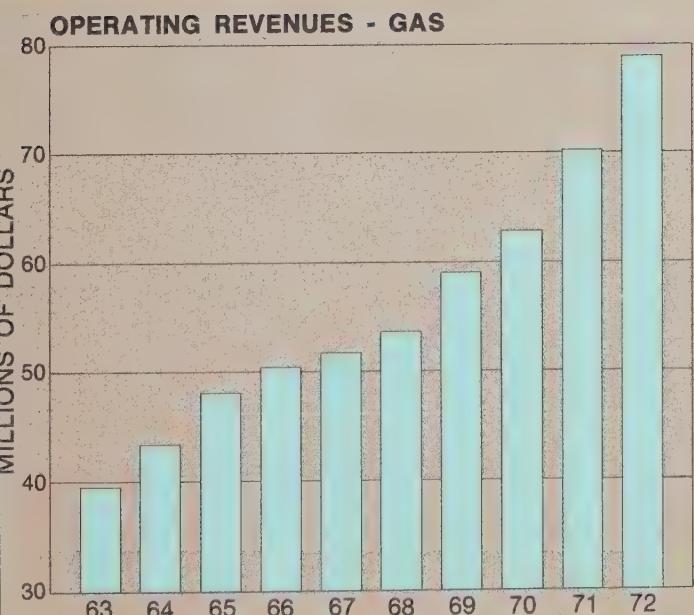
STATEMENT OF EARNINGS

(dollars in thousands except per share data)

	<u>1972</u>
Operating revenues	
Electric	\$ 33,578
Gas	78,746
Total	<u>112,324</u>
Operating expenses	<u>86,744</u>
Net operating income	<u>25,580</u>
Other income	<u>2,672</u>
	<u>28,252</u>
Income deductions	<u>12,159</u>
Minority interest in acquired companies	<u>962</u>
	<u>15,131</u>
Net earnings from services and other income	<u>(89)</u>
Extraordinary items	
NET EARNINGS	<u>15,042</u>
Preferred dividends	2,766
Net income to common shareholders	12,276
Common shares outstanding	<u>10,062,646</u>
EARNINGS PER COMMON SHARE (reflecting 4-for-1 share split Sept. 25, 1972)	
Net earnings from services and other income	1.23
Net earnings	1.22



1971	1970	1969	1968	1967	1966	1965	1964	1963
30,397	27,564	21,874	18,761	16,669	14,976	13,887	13,196	12,205
70,127	62,724	58,966	53,557	51,690	50,377	48,037	43,301	39,550
100,524	90,288	80,840	72,318	68,359	65,353	61,924	56,497	51,755
78,279	70,272	62,972	56,588	54,513	51,976	48,874	44,993	40,946
22,245	20,016	17,868	15,730	13,846	13,377	13,050	11,504	10,809
1,857	853	1,493	1,720	1,100	523	969	956	838
24,102	20,869	19,361	17,450	14,946	13,900	14,019	12,460	11,647
9,981	9,108	7,638	6,560	5,252	4,340	4,134	3,706	3,560
1,226	1,160	1,167	1,149	1,138	1,156	1,168	1,128	1,093
12,895	10,601	10,556	9,741	8,556	8,404	8,717	7,626	6,994
183	234	2,888	207	14	256	647	27	118
13,078	10,835	13,444	9,948	8,570	8,660	9,364	7,653	7,112
2,514	2,514	2,514	2,514	2,415	2,214	2,214	2,214	2,214
10,564	8,321	10,930	7,434	6,155	6,446	7,150	5,439	4,898
0,056,024	8,948,528	8,873,752	8,873,672	8,860,860	8,838,608	8,792,524	8,733,880	8,703,240
1.03	.90	.91	.81	.69	.70	.74	.62	.55
1.05	.93	1.23	.84	.69	.73	.81	.62	.56





TEN YEAR GROWTH SUMMARY

1972

BALANCE SHEET ITEMS

(dollars in thousands)

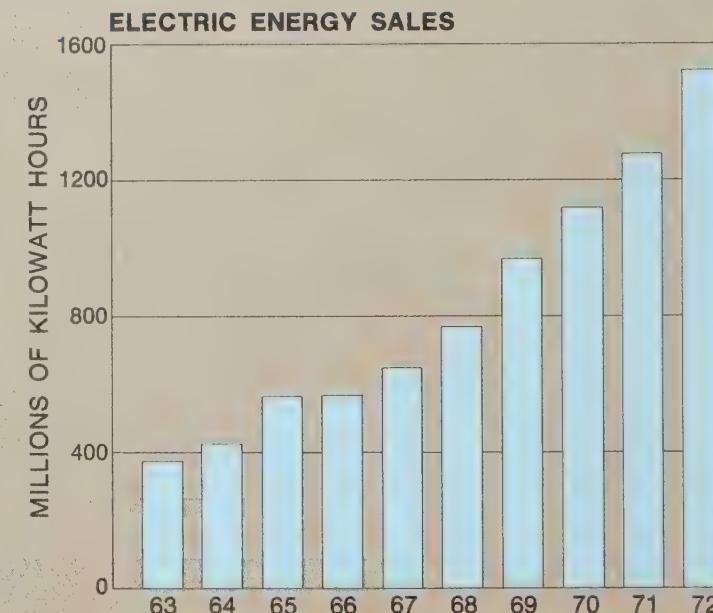
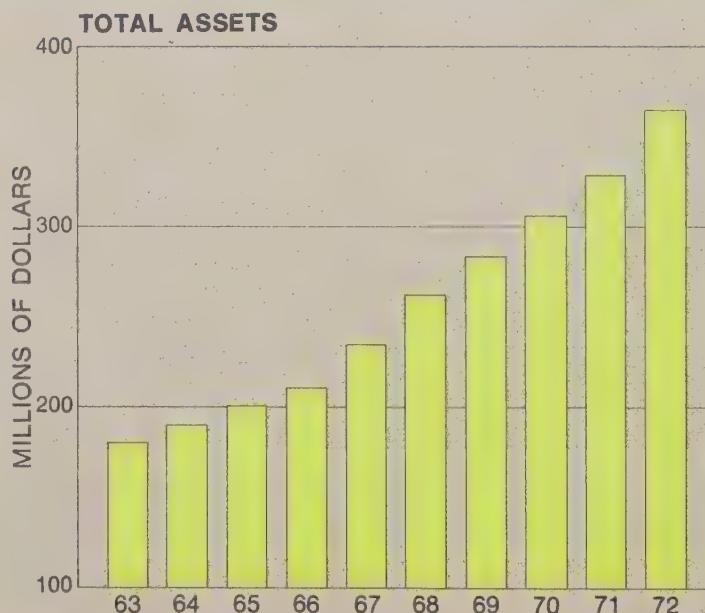
Gross additions to fixed assets	
Electric	\$ 24,719
Gas	17,433
Total	\$ 42,152
Fixed assets	\$ 435,847
Accumulated depreciation	105,574
Net fixed assets	\$ 330,273
Total assets	\$ 363,080

ELECTRIC STATISTICS

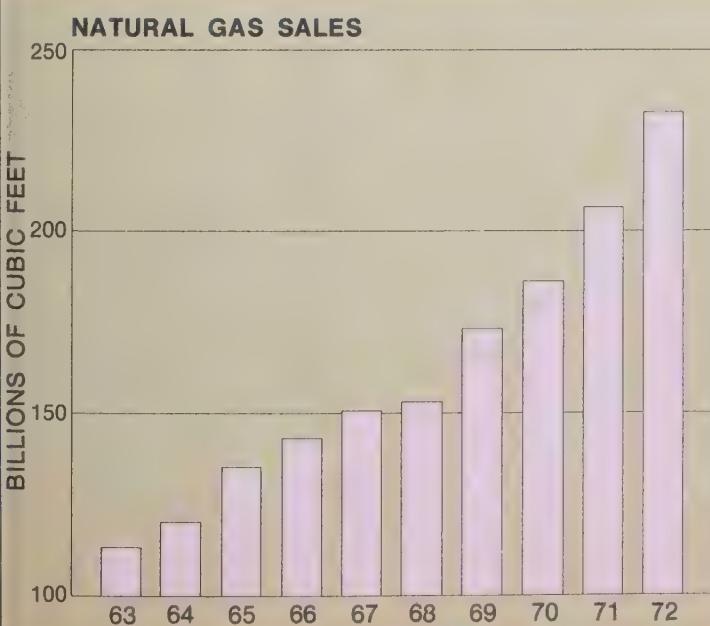
Sales (thousands of kilowatt hours)	1,520,031
Maximum demand (thousands of kilowatts)	342
Plant capacity (thousands of kilowatts)	370
Customers at year-end	80,492
Communities served	365
Miles of power lines	10,823
Average annual use per residential customer (kilowatt hours)	5,961

GAS STATISTICS

Sales (millions of cubic feet)	232,800
Maximum daily demand (millions of cubic feet)	1,106
Customers at year-end	317,766
Communities served	251
Miles of pipelines	9,439
Average annual use per residential customer (cubic feet)	230,000



1971	1970	1969	1968	1967	1966	1965	1964	1963
29,023	16,293	15,150	26,225	17,899	11,149	7,885	6,244	5,516
11,143	12,562	12,062	9,871	9,751	9,328	8,622	5,966	9,476
<u>40,166</u>	<u>28,855</u>	<u>27,212</u>	<u>36,096</u>	<u>27,650</u>	<u>20,477</u>	<u>16,507</u>	<u>12,210</u>	<u>14,992</u>
397,233	359,415	333,014	308,581	275,649	250,758	232,689	218,546	207,458
97,191	88,607	80,373	73,933	68,154	62,630	57,284	52,710	47,773
<u>300,042</u>	<u>270,808</u>	<u>252,641</u>	<u>234,648</u>	<u>207,495</u>	<u>188,128</u>	<u>175,405</u>	<u>165,836</u>	<u>159,685</u>
<u>328,388</u>	<u>306,924</u>	<u>283,942</u>	<u>262,320</u>	<u>234,144</u>	<u>211,153</u>	<u>200,311</u>	<u>190,560</u>	<u>180,621</u>
1,274,649	1,118,239	967,276	769,501	645,283	563,112	562,267	424,671	371,261
295	281	245	216	178	149	135	136	116
367	367	344	197	197	193	172	172	136
<u>77,246</u>	<u>74,193</u>	<u>72,042</u>	<u>70,076</u>	<u>67,503</u>	<u>65,487</u>	<u>63,599</u>	<u>64,021</u>	<u>62,523</u>
359	355	343	342	342	340	314	316	298
9,951	9,715	9,197	8,497	7,602	7,205	6,456	6,125	5,739
5,550	5,209	5,127	4,617	4,306	4,054	3,884	3,540	3,340
206,630	186,831	173,030	153,055	150,402	143,195	135,291	120,902	113,392
1,090	986	904	918	784	752	714	784	657
<u>303,253</u>	<u>289,457</u>	<u>278,412</u>	<u>266,669</u>	<u>255,332</u>	<u>247,157</u>	<u>239,390</u>	<u>231,484</u>	<u>222,827</u>
249	240	238	229	221	206	195	193	190
9,166	8,753	8,106	7,328	6,410	5,689	5,508	5,266	5,160
<u>217,800</u>	<u>217,000</u>	<u>222,600</u>	<u>210,900</u>	<u>209,000</u>	<u>222,100</u>	<u>226,300</u>	<u>206,700</u>	<u>198,800</u>





CONSOLIDATED BALANCE SHEET

December 31, 1972

with comparative figures for 1971

Assets

	<u>1972</u>	<u>1971</u>
Fixed assets:		
Property, plant, leases, rights, gas wells and equipment subject to amortization and depreciation, at cost	\$427,846,872	389,233,737
Less accumulated amortization and depreciation (note 2)	105,573,810	97,191,466
	<u>322,273,062</u>	<u>292,042,271</u>
Undertakings, franchises, gas rights, etc., in respect of which no provision for amortization is being made	8,000,000	8,000,000
Net fixed assets	330,273,062	300,042,271
Trust funds for rural co-operative lines, per contra:		
Trustee investments, at cost and accrued interest, and cash	5,866,746	5,591,323
Investments not having market quotations, at cost	275,706	210,002
Accounts receivable due beyond one year	1,038,283	1,383,651
Current assets:		
Cash	653,803	683,688
Marketable securities, at cost (market value 1972, \$832,492; 1971, \$387,020)	522,210	532,660
Accounts receivable	14,140,245	11,056,758
Due from affiliated companies	16,109	9,994
Materials and supplies, at or below average cost	4,847,742	4,768,733
Prepaid expenses	372,250	369,254
Total current assets	<u>20,552,359</u>	<u>17,421,087</u>
Unamortized debt discount and expense	3,451,631	3,032,125
Deferred expense	1,060,412	707,174
Goodwill, at cost less amortization (note 1)	561,600	—

On behalf of the Board:

E. W. KING, Director

F. T. JENNER, Director

\$363,079,799 328,387,633

See accompanying notes to financial statements.

Liabilities and Shareholders' Equity

	<u>1972</u>	<u>1971</u>
Shareholders' equity (note 6):		
Preferred shares (note 3)	\$ 46,077,780	41,707,600
Common shares (note 4)	65,301,672	65,239,852
	<u>111,379,452</u>	<u>106,947,452</u>
Less excess of value of shares of subsidiary companies over underlying net book value at December 31, 1971 (note 1)	17,567,362	17,567,362
	<u>93,812,090</u>	<u>89,380,090</u>
Retained earnings	27,541,903	20,496,557
	<u>121,353,993</u>	<u>109,876,647</u>
Total shareholders' equity		
Minority interest (note 5)	20,008,200	23,743,489
Long-term debt (note 6)	155,957,623	129,313,872
7½% Note payable to parent company, due beyond one year	—	3,500,000
Amounts held in trust for rural co-operative lines	5,866,746	5,591,323
Current liabilities:		
Loans payable to bank	5,500,000	17,950,000
Short-term promissory notes	13,000,000	—
Accounts payable and accrued liabilities	11,941,548	12,207,892
Accrued interest on long-term debt	2,133,867	1,304,391
Long-term debt — current maturities (note 6)	3,152,750	2,782,500
Deposits for rural co-operative construction	676,127	796,884
Consumer deposits	378,755	2,071,306
Due to parent and affiliated companies	5,033,041	2,878,990
Income taxes — net (note 7)	212,129	595,722
Other taxes	2,534,373	2,239,916
	<u>44,562,590</u>	<u>42,827,601</u>
Total current liabilities		
Deferred income taxes (note 7)	1,650,095	1,774,595
Miscellaneous liabilities	983,620	1,110,780
Contributions for extensions to plant	12,696,932	10,649,326
Commitments (note 8)		
	<u>\$363,079,799</u>	<u>328,387,633</u>

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, 1972

with comparative figures for 1971

	1972	1971
Electric energy sales	\$ 33,577,846	30,396,930
Natural gas sales	78,746,429	70,126,504
	<u>112,324,275</u>	<u>100,523,434</u>
Operating expenses:		
Natural gas purchased	30,120,510	24,721,534
Operating	29,262,713	26,721,634
Maintenance	6,942,390	5,213,172
Taxes — income (note 7)	5,053,797	7,132,190
Taxes — other than income	6,515,834	5,959,395
Depreciation exclusive of \$606,658 included in operating and other accounts (1971 — \$570,227) (note 2)	9,526,844	9,145,732
	<u>87,422,088</u>	<u>78,893,657</u>
Net operating income	<u>24,902,187</u>	<u>21,629,777</u>
Other income:		
Interest capitalized during construction	2,170,025	773,981
Interest and dividends	465,753	703,874
Gain on purchase of long-term debt	35,663	379,187
Miscellaneous	678,304	614,954
	<u>3,349,745</u>	<u>2,471,996</u>
	<u>28,251,932</u>	<u>24,101,773</u>
Income deductions:		
Interest on long-term debt	11,032,741	8,804,339
Interest on loan from parent and affiliated companies	458,670	262,500
Other interest	438,127	707,588
Debt discount and expense amortized	229,225	206,472
	<u>12,158,763</u>	<u>9,980,899</u>
	<u>16,093,169</u>	<u>14,120,874</u>
Minority interest in subsidiary companies	<u>961,748</u>	<u>1,226,015</u>
Net earnings from services and other income before extraordinary items	<u>15,131,421</u>	<u>12,894,859</u>
Extraordinary items:		
Non-recurring loss on abandoned project (net)	(89,038)	—
Gain on sale of land and recovery of provision for loss on investment	—	183,463
Net earnings	<u>\$ 15,042,383</u>	<u>13,078,322</u>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1972

with comparative figures for 1971

	<u>1972</u>	<u>1971</u>
Funds provided by:		
Operations:		
Net earnings	\$ 15,042,383	13,078,322
Add depreciation and other charges, less credits, not involving cash outlay	10,513,241	10,796,163
	<u>25,555,624</u>	<u>23,874,485</u>
Proceeds from issue of long-term debt less expenses of issue	29,351,269	9,979,722
Proceeds from issue of common shares	39,600	—
Proceeds from issue of second preferred shares	4,392,400	—
Reduction in investments not having market quotations	—	1,040,875
Decrease in accounts receivable due beyond one year	345,368	451,402
Contributions for extensions to plant — net	2,047,606	1,406,238
Proceeds from disposal of fixed assets	826,339	680,841
Other	60,649	35,830
	<u>62,618,855</u>	<u>37,469,393</u>
Funds applied to:		
Additions to fixed assets	41,252,408	39,658,359
Reduction of note payable beyond one year	3,500,000	—
Reduction of long-term debt	3,340,569	3,749,223
Dividends	7,997,037	8,543,145
Purchase of minority interest in subsidiary, excluding goodwill	3,818,231	—
Purchase of goodwill	574,169	—
Purchase of investments	65,704	60,714
Reduction of consumer deposits	—	3,136,388
Increase in deferred expense	411,726	595,651
Other	262,728	145,124
	<u>61,222,572</u>	<u>55,888,604</u>
Increase (decrease) in working capital	<u>\$ 1,396,283</u>	<u>(18,419,211)</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1972

Balance at beginning of year	\$ 20,496,557
Add net earnings	15,042,383
	<u>35,538,940</u>
Deduct dividends:	
5% cumulative redeemable preferred shares	200,000
Cumulative redeemable preferred shares:	
4 1/4% series	63,750
6% series	300,000
\$1.25 cumulative redeemable convertible second preferred shares	2,202,156
Common shares	5,231,131
	<u>7,997,037</u>
Balance at end of year	<u>\$ 27,541,903</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1972

1. Basis of consolidation:

On January 5, 1972 the company acquired, by the issuance of its shares as set out below, the interests of International Utilities Corporation in the following companies:

		Percentage ownership of equity shares	Percentage ownership of preferred shares
Canadian Western Natural Gas Company Limited		87.7%	—
Northwestern Utilities Limited		100 %	—
Northland Utilities Limited and subsidiaries		100 %	100%
(Herein referred to as the acquired companies.)			

The acquisition of the companies involved the following transactions:

	Northwestern Utilities Limited	Canadian Western Natural Gas Company Limited	Northland Utilities Limited	Total
Consideration:				
1,105,000 common shares	\$ 39,780,000	—	—	39,780,000
1,560,380 \$1.25 cumulative redeemable convertible second preferred shares of the par value of \$20 each	—	31,207,600	—	31,207,600
226,732 common shares	—	—	8,162,352	8,162,352
Total consideration	39,780,000	31,207,600	8,162,352	79,149,952
Deficiency (excess) of value of shares of acquired companies after giving effect to the plan of corporate restructuring and acquisition over underlying net book value of those companies attributable to International Utilities Corporation				
	(12,946,530)	(4,668,219)	47,387	(17,567,362)
Net assets at book value to acquired companies at December 31, 1971	<u>\$ 26,833,470</u>	<u>26,539,381</u>	<u>8,209,739</u>	<u>61,582,590</u>
Securities issued on corporate restructuring and acquisition as a percentage of total securities outstanding:				
Common shares	<u>43.95%</u>	<u>—</u>	<u>9.02%</u>	
Cumulative redeemable convertible second preferred shares	<u>—</u>	<u>100%</u>	<u>—</u>	

A value of \$36 per share has been attributed to the common shares of Canadian Utilities Limited issued as aforesaid to International Utilities Corporation.

The number of common shares set out previously in this note are the number prior to a subdivision of the common shares on September 15, 1972 referred to in note 4.

The excess of the cost of the shares of the acquired companies (all acquired from International Utilities Corporation) over the underlying net book values, after giving effect to the plan of corporate restructuring and acquisition, amounting to \$17,567,362 has been included in the consolidated balance sheet as a deduction from shareholders' equity.

Alberta Power Limited, a wholly-owned subsidiary of Canadian Utilities Limited, was incorporated under the laws of Canada in 1971. As of January 1, 1972 Canadian Utilities Limited transferred its undertaking, property and assets (exclusive of its shareholdings in the acquired companies) to this company in exchange for 105,000 5-5/8% cumulative redeemable preferred shares of the par value of \$100 each of Alberta Power Limited issued at par and 17,297,500 common shares of the par value of \$1 each of that company issued at par plus a premium equal to the retained earnings of Canadian Utilities Limited as of December 31, 1971 and the assumption by it of all liabilities, including bonds and debentures, of Canadian Utilities Limited outstanding at the time of such transfer.

The comparative consolidated balance sheet as of December 31, 1971 gives effect to the aforementioned transactions. Also, the comparative statements of earnings and source and application of funds combine the consolidated results of operations and the consolidated source and application of funds respectively of the company and all of its subsidiaries including the acquired companies, for the year ended December 31, 1971 as though the acquisitions had taken place at the beginning of 1971.

Subsequent to January 5, 1972 the company also acquired all of the remaining equity shares (a 12.3% interest) of Canadian Western Natural Gas Company Limited in exchange for 219,620 shares \$1.25 cumulative redeemable convertible second preferred shares of the par value of \$20 each for a total consideration of \$4,392,400.

On this share exchange with minority shareholders a goodwill of \$574,169 arose resulting from an excess of value of shares issued over the underlying net book value of the shares acquired. The company is amortizing this goodwill over a period of 40 years.

Effective August 1, 1972 a further corporate reorganization occurred whereby Northland Utilities Limited was wound-up and ultimately its net assets were transferred to Alberta Power Limited and Northwestern Utilities Limited.

At December 31, 1972 the company holds a 100% ownership of equity shares in its continuing subsidiary companies, Alberta Power Limited, Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited.

All material intercompany balances and transactions have been eliminated in the consolidated statements.

2. Amortization and depreciation:

Property, plant and equipment is amortized and depreciated in accordance with orders of the regulatory bodies as follows:

General plant (exclusive of transportation and moveable equipment) on a straight line basis at effective rates from 2% to 5% per annum on the gross cost of the plant at the preceding December 31, less contributions for extensions to plant at that date.

Natural gas and underground storage facilities at the rate of 1-1/2% per annum on cost at preceding December 31, plus an amount based on unit withdrawals.

Other plant at various rates based on the estimated lives of the assets.

3. Preferred shares:

Authorized (see note 4):

40,000 5% cumulative redeemable preferred shares of the par value of \$100 each.

150,000 series preferred shares of the par value of \$100 each, issuable in series, of which 15,000 shares have been designated as cumulative redeemable preferred shares, 4-1/4% series and 50,000 shares have been designated as cumulative redeemable preferred shares, 6% series.

1,780,000 \$1.25 cumulative redeemable convertible second preferred shares of the par value of \$20 each, convertible into 2 common shares up to January 15, 1982 and into 1.6 common shares up to January 15, 1992 and having one vote in respect of each two shares. The conversion rates are subject to adjustment under certain circumstances.

Issued:	1972	1971
Issued and redeemable at the option of the company on thirty days' notice:		
40,000 shares 5% (redeemable at \$104 per share)	\$ 4,000,000	4,000,000
15,000 shares 4-1/4% series (redeemable at \$102.50 per share)	1,500,000	1,500,000
50,000 shares 6% series (redeemable at \$105 per share on or before February 1, 1972, thereafter reducing at various dates to a minimum redemption price of \$101 per share)	5,000,000	5,000,000
Issued and non-redeemable up to January 15, 1982 (unless the number of shares outstanding is equal to or less than 75,000), thereafter redeemable at the option of the company on thirty days' notice at \$20 per share:		
1,560,380 shares, \$1.25 — issued January 5, 1972 in exchange for 1,560,380 ordinary shares of Canadian Western Natural Gas Company Limited or 87.7% of the outstanding shares thereof (note 1)	31,207,600	31,207,600
219,620 shares, \$1.25 — issued at varying dates in exchange for 219,620 ordinary shares of Canadian Western Natural Gas Company Limited or 12.3% of the outstanding shares thereof (note 1)	4,392,400	—
10 shares, \$1.25 — converted at varying dates into 5 (old) common shares without nominal or par value	(200)	—
1,101 shares, \$1.25 — converted at varying dates into 2,202 (new) common shares without nominal or par value	(22,020)	—
Issued and outstanding — 1,778,889 shares at December 31, 1972	35,577,780	31,207,600
Balance at December 31	\$46,077,780	41,707,600

4. Common shares:

Authorized:

30,000,000 common shares without nominal or par value

Issued:

		1972	1971
		Number of Shares	Value of Shares
Issued to December 31, 1971	1,182,274	\$17,297,500	1,182,274
Issued January 5, 1972 in exchange for all the outstanding common shares of North-western Utilities Limited (note 1)	1,105,000	39,780,000	1,105,000
Issued January 5, 1972 in exchange for all the outstanding common and preferred shares of Northland Utilities Limited (note 1)	226,732	8,162,352	226,732
	<u>2,514,006</u>	<u>65,239,852</u>	<u>2,514,006</u>
Issued on conversion of second preferred shares	5	200	—
Issued on exercise of share purchase warrants	1,090	39,240	—
	<u>2,515,101</u>	<u>65,279,292</u>	<u>2,514,006</u>
Subdivision of common shares on September 15, 1972	10,060,404	65,279,292	
Issued on conversion of second preferred shares	2,202	22,020	
Issued on exercise of share purchase warrants	40	360	
Balance at December 31, 1972	<u>10,062,646</u>	<u>\$65,301,672</u>	

On January 1, 1972 Canadian Utilities Limited obtained supplementary letters patent, extending the objects of the company to make them consistent with those of a holding company and increasing the authorized capital of the company by the creation of (i) 1,780,000 \$1.25 cumulative redeemable convertible second preferred shares of the par value of \$20 each and (ii) 3,500,000 additional common shares without nominal or par value ranking in all respects on a parity with the 1,500,000 issued and unissued common shares of the company.

On September 15, 1972 Canadian Utilities Limited obtained supplementary letters patent altering and increasing the authorized capital of the company by (i) the subdivision of each common share without nominal or par value of the company, whether issued or unissued, into 4 shares without nominal or par value, and (ii) the creation of an additional 10,000,000 common shares without nominal or par value ranking pari passu in all respects with the 20,000,000 common shares of the company resulting from the subdivision of the common shares of the company.

At December 31, 1972 the company has reserved 4,153,298 common shares for issue as follows:

In connection with share purchase warrants outstanding exercisable at a price of \$9 per share (price is subject to adjustment in certain circumstances). The warrants expire May 15, 1978	595,520
In connection with the \$1.25 cumulative redeemable convertible second preferred shares	3,557,778
	<u>4,153,298</u>

5. Minority interest:

Minority interest consists of the following:

Northwestern Utilities Limited:

105,000 4% cumulative redeemable preference shares of the par value of \$100 each	\$10,500,000
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Canadian Western Natural Gas Company Limited:

275,410 4% cumulative redeemable preference shares of the par value of \$20 each	5,508,200
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200,000 5-1/2% cumulative redeemable preference shares of the par value of \$20 each	4,000,000
--	-----------

9,508,200

\$20,008,200

6. Long-term debt:

	Total	Current Maturities
Long-term debt is summarized as follows:		
Canadian Utilities Limited:		
8-3/8% debentures 1972 Series, due March 1, 1992	\$ 30,000,000	—
Alberta Power Limited (note 1):		
First mortgage sinking fund bonds:		
Series B — 3-2/5%, due December 1, 1974	448,500	12,750
Series C — 3-2/5%, due December 1, 1975	1,929,000	51,000
Series D — 4-1/4%, due November 1, 1979	3,480,000	40,000
Series E — 4-1/8%, due April 1, 1981	3,196,000	—
Series F — 5-1/2%, due December 1, 1986	5,000,000	—
Series G — 5-5/8%, due June 1, 1990	12,000,000	—
Series H — 6-1/2%, due February 1, 1992	8,000,000	—
Sinking fund debentures:		
Series A — 7-1/4%, due May 15, 1988	14,700,000	200,000
Series B — 9-5/8%, due December 15, 1991	9,000,000	—
Series C — 8%, due June 1, 1976	10,000,000	—
	<u>67,753,500</u>	<u>303,750</u>
Canadian Western Natural Gas Company Limited:		
First mortgage sinking fund bonds:		
Series B — 5-3/4%, due February 1, 1982	4,427,000	162,000
Series C — 5-3/8%, due April 1, 1983	2,973,000	73,000
Series D — 5-5/8%, due May 1, 1989	4,125,000	125,000
Series E — 7%, due June 15, 1992	6,300,000	175,000
Sinking fund debentures:		
9-3/4%, due December 1, 1990	10,000,000	375,000
	<u>27,825,000</u>	<u>910,000</u>
Northwestern Utilities Limited:		
First mortgage sinking fund bonds:		
Series E — 3-5/8%, due December 15, 1975	1,305,000	235,000
Series F — 4-3/4%, due January 15, 1979	1,615,500	211,500
Series G — 5-3/8%, due April 15, 1983	4,621,000	171,000
Series H — 5-3/4%, due March 1, 1988	9,082,000	232,000
Series I — 6-1/2%, due May 1, 1992	4,350,000	130,000
Series J — 9-3/4%, due December 15, 1994	7,376,000	208,000
Sinking fund debentures:		
Series B — 6%, due February 1, 1973	604,500	604,500
Series C — 6-3/4%, due May 1, 1977	614,000	16,000
Series D — 6-3/4%, due December 1, 1978	636,500	25,000
Series E — 7-1/4%, due October 15, 1985	3,342,000	106,000
	<u>33,546,500</u>	<u>1,939,000</u>
Total long-term debt	<u>159,125,000</u>	<u>3,152,750</u>
Deduct current maturities of \$3,152,750 and cash of \$14,627 held by trustees . . .	<u>3,167,377</u>	
Long-term debt less current maturities and cash	<u>\$155,957,623</u>	

The long-term debt outstanding and current maturities thereof are stated after deducting bonds and debentures which have been purchased by the companies and are held for future sinking fund payments and excluding requirements which may be satisfied by certification of property additions.

Instalments of long-term debt, excluding requirements which may be satisfied by certification of property additions and after deducting bonds and debentures which have been purchased as described in the preceding paragraph, maturing in each of the calendar years 1973, 1974, 1975, 1976 and 1977 amount to \$3,152,750, \$3,409,250, \$5,376,500, \$13,614,500 and \$4,112,500 respectively.

The sinking fund debentures payable by Northwestern Utilities Limited were transferred August 1, 1972 from Northland Utilities Limited.

The trust deeds and indentures securing first mortgage bonds and sinking fund debentures place limitations on these companies and their subsidiaries including restrictions on the payment of dividends on their common and ordinary shares and upon the redemption or repayment of their preferred, preference, common and ordinary shares. To December 31, 1972 all of the conditions of the trust deeds and indentures had been met.



7. Income taxes

In fixing rates, except for the matter referred to in the succeeding paragraph, the Public Utilities Board for the Province of Alberta permits the utility companies to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

The companies are permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for their utility systems, but, at the specific requests of the major communities served, they have agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a ten-year period.

The effect of the reductions in the annual provisions for income taxes, contained in the statement of earnings resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a tax allocation basis is that provisions have been reduced by \$3,140,000 in 1972 (\$2,100,000 in 1971). The cumulative amount of deferred tax credits to December 31, 1972 is \$21,040,000 of which \$1,650,095 has been recorded in the accounts.

8. Commitments:

Commitments under contracts pertaining to construction of new plant amounted to approximately \$11,800,000 at December 31, 1972.

The companies have in effect a pension plan covering substantially all of their employees. At December 31, 1972 the aggregate unfunded past service liability, being amortized over periods not exceeding twenty years, amounted to approximately \$4,142,000.

9. Remuneration of directors and officers:

During the year ended December 31, 1972 the company paid aggregate remuneration of \$30,350 to 16 directors as directors (\$16,250 to 13 directors in 1971) and \$224,677 to 8 officers as officers (\$174,925 to 12 officers in 1971). Three officers were also directors in 1972 and in 1971.

10. Net earnings per common share:

Basic:

	1972	1971
Net earnings from services and other income	\$1.23	1.03
Extraordinary item	(.01)	.02
Net earnings	\$1.22	1.05

Fully diluted:

Net earnings from services and other income	\$1.05	.91
Extraordinary item	(.01)	.01
Net earnings	\$1.04	.92

The 1971 calculation of net earnings per common share assumes the common and second preferred issued on January 5, 1972 had been in existence throughout 1971 and the number of shares used in the calculation gives effect to the subdivision of common shares in 1972.

In the fully diluted earnings per common share calculation, the assumption is made that warrants for the purchase of 595,520 common shares at \$9 had been exercised at the beginning of each year and that the funds derived therefrom had been invested to produce an annual rate of 8% before applicable income taxes. In addition, the calculation assumes conversion of the second preferred shares at the beginning of each year.

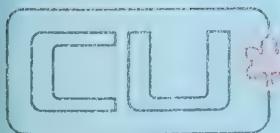
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Utilities Limited and subsidiaries as of December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries as of December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta
January 31, 1973

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants



canadian
utilities
limited

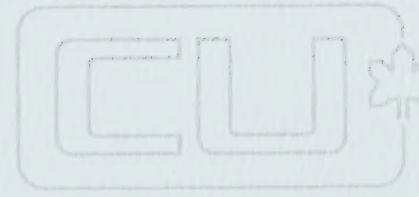
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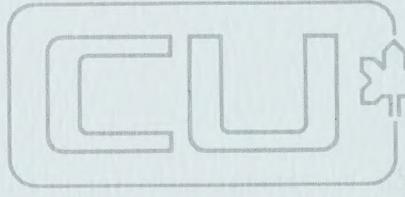
tests of accounting records and

cial position of the company and sub-
sue and adopt **MOTOBADJARUTAK**
as a better name than that of the





CANADIAN
UTILITIES
LIMITED



CANADIAN
UTILITIES
LIMITED

Operations for the first half of 1972 continued to reflect substantial growth activity in the territory served by the company.

Net earnings for the first half were \$11,088,000 or \$3.86 per share compared to \$9,235,000 or \$3.17 a year earlier. These results are after providing for minority interests and are based on 2,515,081 common shares outstanding compared to 2,514,006 a year ago.

The board of directors, at a meeting on August 1, enacted a by-law subdividing the company's common shares on a four for one basis and increasing the authorized common share capital to 30 million shares. A special general meeting of the shareholders of the company to approve this by-law will be held on September 12.

At the same meeting the directors approved an additional quarterly dividend of 4 cents per common share to be paid with the previously declared third quarter dividend of 50 cents per share payable August 30 to shareholders of record August 15, bringing the total dividend for the third quarter to 54 cents on a pre-split basis.

Revenues for the first six months of 1972 were up more than 12 per cent to \$61,939,000 from \$55,065,000 during the same period in 1971. Operating expenses excluding income taxes increased more than 15 per cent to \$40,421,000 from \$35,001,000 in 1971.

Natural gas revenues increased \$5,414,000 or 14 per cent to \$44,750,000 due to natural growth plus temperatures about 2 to 4 degrees below normal. The colder than normal weather accounts for approximately \$1,734,000 of the increased revenues. Volume of natural gas sold was 130 billion cubic feet, up 15 per cent from the first half a year ago. On a normal temperature basis the increase in volume of sales would have been 11 per cent, with a similar increase in revenue. At the end of June, 1972, the company was serving 307,219 customers with natural gas, an increase of 14,269 from a year earlier.

Electric revenues increased 9 per cent to \$17,190,000 over the same period in 1971. Electric energy sales were 760 million kilowatt hours, a gain of 15 per cent over the same period in 1971. The number of electric cus-

tomers rose to 78,013 at the end of June, an increase of 3,142 over June 1971.

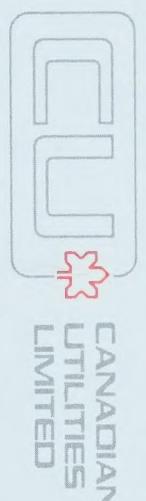
The company is proceeding with the voluntary liquidation of Northland Utilities Limited. This move will result in the transfer of Northland gas and electric properties to Northwestern Utilities and Alberta Power respectively. For some time the Northland gas operations have been carried out by Northwestern management and personnel, and similarly the Northland electric operations have been administered by Alberta Power. This consolidation will substantially complete the corporate restructuring of Canadian Utilities undertaken earlier this year and should result in some additional operating economies and improved efficiency.

The 1971 annual report of the company referred to an offer to the minority shareholders of Canadian Western Natural Gas Company Limited for the exchange of each ordinary share held for one \$1.25 cumulative redeemable convertible preferred share of \$20 par value of Canadian Utilities. This offer has now expired with all ordinary shares of Canadian Western being exchanged.

E. W. King

President and Chief Executive Officer

August 1, 1972.



and subsidiary companies

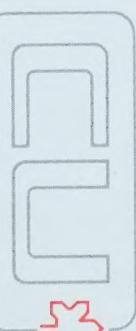
Alberta Power Limited and
subsidiaries
Canadian Western Natural Gas
Company Limited
Northwestern Utilities Limited
and subsidiary

Head Office: 10040 - 104 Street,
Edmonton, Alberta, Canada

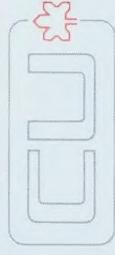
Second
Quarter
June 30,
1972

2

Interim
Report



CANADIAN
UTILITIES
LIMITED



CANADIAN UTILITIES LIMITED

STATEMENT OF EARNINGS

	Six Months Ended June 30	
	1972	1971
Electric energy sales	\$17,189,545	\$15,729,585
Natural gas sales	44,749,833	39,335,562
	<u>61,939,378</u>	<u>55,065,147</u>
Operating expenses:		
Natural gas purchased	14,326,306	11,347,984
Operating	14,392,704	12,991,549
Maintenance	2,788,419	2,302,244
Taxes—income	5,415,353	6,189,062
Taxes—other than income	3,563,297	3,260,536
Depreciation	5,350,459	5,098,577
	<u>45,836,538</u>	<u>41,189,952</u>
Net operating income	<u>16,102,840</u>	<u>13,875,195</u>
Other income:		
Interest capitalized during construction	906,709	172,044
Interest and dividends	254,730	330,787
Gain on purchase of long term debt—net	2,290	197,509
Miscellaneous	205,831	225,107
	<u>1,369,560</u>	<u>925,447</u>
	<u>17,472,400</u>	<u>14,800,642</u>
Income deductions:		
Interest on long term debt	5,315,229	4,253,844
Other interest	426,144	471,756
Debt discount and expense amortized	111,154	102,308
	<u>5,852,527</u>	<u>4,827,908</u>
	<u>11,619,873</u>	<u>9,972,734</u>
	<u>531,584</u>	<u>737,923</u>
Minority interest in acquired companies		
Net earnings from services and other income	\$11,088,289	\$ 9,234,811
Dividends paid on preferred shares		
Common shares outstanding	\$ 1,380,854	\$ 1,257,188
Earnings per common share	<u>2,515,081</u>	<u>2,514,006</u>
	<u>\$ 3.86</u>	<u>\$ 3.17</u>

**STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

	Six Months Ended June 30	
	1972	1971
Funds Provided by:		
Operations:		
Net Earnings		
Add depreciation and other charges less credits not involving cash outlay	<u>6,101,576</u>	<u>5,664,454</u>
	<u>17,189,865</u>	<u>14,899,265</u>
Proceeds from issue of long term debt less expenses of issue	<u>29,404,047</u>	<u>9,959,609</u>
Issue of preferred shares	<u>4,392,200</u>	<u>—</u>
Proceeds from issue of common shares	<u>38,720</u>	<u>—</u>
Contributions for extensions to plant—net		
Decrease in accounts receivable due beyond one year	<u>931,588</u>	<u>307,582</u>
Proceeds from disposal of fixed assets	<u>35,637</u>	<u>31,271</u>
Total funds provided	<u>430,535</u>	<u>322,255</u>
	<u>52,422,592</u>	<u>25,519,982</u>
Funds Applied to:		
Additions to fixed assets		
Reduction of long term debt		
Dividends paid		
Increase in investments not having market quotations		
Decrease in minority interest		
Increase in deferred expense—net		
Other		
Total funds applied		
Increase in working capital		
	<u>\$18,474,325</u>	<u>\$11,495,403</u>
	<u>2,281,850</u>	<u>3,188,465(a)</u>
	<u>3,895,412</u>	<u>2,489,635</u>
	<u>94,483</u>	<u>21,143</u>
	<u>3,735,289</u>	<u>—</u>
	<u>297,790</u>	<u>90,792</u>
	<u>23,319</u>	<u>73,442</u>
	<u>28,802,468</u>	<u>17,358,880</u>
	<u>\$23,620,124</u>	<u>\$ 8,161,102</u>

(a) Includes \$1,415,000 Series "A" First Mortgage Sinking Fund Bonds maturing June 1, 1972.

NOTE: The interim figures in this report are unaudited.

Data for 1971 has been restated to reflect the January 5, 1972, corporate restructuring.